

Legitimacy of community-based social enterprises (CBSE) in service provision in rural areas

Katja Rinne-Koski and Merja Lähdesmäki

Ruralia Institute, University of Helsinki, Seinäjoki, Finland

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Abstract

Purpose – Municipalities seek new opportunities for co-producing services in rural areas. One potential partner is community-based social enterprises (CBSEs). However, whilst service co-production through CBSEs obscures the traditional roles of actors, it may lead to a legitimisation crisis in local service provision. In this paper, the ways CBSEs are legitimised as service providers in rural areas are addressed from the CBSE and municipality perspectives.

Design/methodology/approach – Empirical data combine interviews with CBSE representatives and open-ended national survey responses from municipality decision-makers. The data analysis is based on a qualitative content analysis to examine legitimisation arguments.

Findings – Results show that unestablished legitimacy and un-institutionalised support structures for co-production models build mistrust between CBSEs and municipalities, which prevents the parties from seeing the benefits of cooperation in service production.

Research limitations/implications – The research focusses on the legitimisation of CBSEs in service co-production in rural areas. As legitimisation seems to be a context-specific process, future research is needed regarding other contexts.

Practical implications – Municipalities interested in the co-production of services might benefit from establishing a collaborative and responsive (rural) service policy forum that would institutionalise new models of co-production and enable better design and governance of service provision.

Originality/value – Results will give new theoretical and practical insights into the importance of legitimacy in the development of service co-production relationships.

Keywords Community-based social enterprise (CBSE), Community enterprise, Legitimacy, Legitimation, Service co-production, Municipalities, Rural community development

Paper type Research paper

Introduction

Many municipalities are facing challenges in providing local services in rural areas in Europe (e.g. Goodwin-Hawkin *et al.*, 2021). In Finland, challenges concern especially the scarce financial resources of municipalities for delivering services in rural areas, ageing of rural residents and outmigration of young people (Valkama and Oulasvirta, 2021). Yet, there is a growing need for rural services: ageing residents need home-care and welfare services as well as assistance in everyday chores, whereas younger people need employment opportunities

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(e.g. Verma and Taegen, 2019). Because of these challenges, municipalities are seeking to involve third-sector organisations in public service delivery.

One way to provide local services in rural areas is community-based social enterprises (CBSEs) (e.g. Steiner *et al.*, 2019; Olmedo *et al.*, 2019). Typically characterised as a subtype of social enterprise or community business (e.g. Bailey *et al.*, 2018), CBSEs share common features: operating in a defined geographical location, functioning as independent organisations managed and owned by local residents or the community, reinvesting profits in the business or community and prioritising local needs (Kleinhans, 2017; Bailey *et al.*, 2018; Kleinhans *et al.*, 2020; Olmedo *et al.*, 2023). CBSEs contribute to their local environment by offering new or revived services, participating in community asset development and seeking opportunities for local employment (Bailey, 2012). They fill service gaps where other actors, public sector or private enterprises, might not find sufficient scope due to small profits or an insufficient market share (Bailey, 2012; Olmedo and O'Shaughnessy, 2022). Additionally, CBSEs engage in building networks and cooperative relationships with stakeholders (Steiner and Teasdale, 2019; Olmedo *et al.*, 2023) and endeavour to influence political decision-making for local well-being (Bailey, 2012).

The definition of a community is not always clear when considering CBSEs (Kleinhans *et al.*, 2020; Somerville and McElwee, 2011). In this study, a community is formed and hence defined, by the people living in a certain village in a rural area (see Peredo and Chrisman, 2006). In addition to the geographical location, a village can be viewed as a spatially bounded locality created through social interaction of people living there. In Finland, the cooperation of the village residents is usually organised by registered local village associations, which are legally competent actors. In terms of representativeness, CBSEs are joint efforts of a community (e.g. Steiner and Teasdale, 2019).

There are different ways that CBSEs are organised (e.g. Kleinhans *et al.*, 2020). In Finland, the national strategy on social enterprises acknowledges their special characteristics but sets up no specific legislation or financial instruments. Finnish CBSEs often combine traditional association and business by organising them into separate branches (an association accompanied by a limited company or cooperative owned and managed by the village community). This makes it possible for CBSEs to change the operating model according to the purpose of the activity for the public good or for income by combining business with social good and providing services that other actors, including municipalities, do not provide anymore. With this mixed purpose, CBSEs exemplify hybrid organisations, which are typical features of social enterprises (Doherty *et al.*, 2014).

The inclusion of community-based social enterprises (CBSEs) into a municipality's service provision signals a transition from traditional public administration towards more networked cooperation involving multiple actors (e.g. Kleinhans, 2017; Pestoff, 2012). By entering the service sector, CBSEs are blurring traditional borders of private, public and non-profit sectors by a service provision model which changes the traditional roles of local actors (see Meijer, 2016). Traditional non-profit operators assuming new roles in market-based and public service provision can disrupt established norms, particularly in countries like Finland, where municipalities historically held primary responsibility for welfare services. This novel composition, as noted by Pestoff and Brandsen (2010, pp. 224), may lead to a legitimacy crisis in local-level service provision as traditional roles undergo renegotiation (see also Doherty *et al.*, 2014; Kleinhans, 2017; Kleinhans *et al.*, 2020).

As important as the legitimacy of service production is, the social acceptability of rural communities as service providers alongside and in cooperation with the public sector has rarely been examined in public administration literature (Kleinhans, 2017; Rosser *et al.*, 2022; Vestrum *et al.*, 2017). As previous research has demonstrated, different social groups can evaluate and judge an organisation, its activities and essence, very differently (e.g. Holmström *et al.*, 2010), the aim of our study is to examine both CBSE and municipality representatives' reflections and

argumentation on legitimation in a comprehensive way. To contribute to the current knowledge, we set the research question as follows: how municipalities and local communities discursively (de)legitimate CBSEs as service providers and how it reflects on their relationship? Study contributes to the development of service provision, especially in the rural areas that are in need of approaches for new, local and innovative ways to produce necessary services, by highlighting the importance of legitimacy in service co-production.

Legitimacy of CBSEs as co-producers of local services

The concept of co-production was introduced in the 1970s to describe the relationship of participation of actors involved in service production (Pestoff and Brandsen, 2010). Whilst co-production is not a new term, it has gained significant attention as a potential reform strategy in the public sector (Bovaird and Loeffler, 2012; Osborne *et al.*, 2016). Co-production has been previously discussed, for example, in terms of the nature of partners and their motives (McMullin, 2021), the degree of involvement of the partners and the process of co-operation providing services. In general, co-production is defined as a joint effort between citizens and the public sector in the initiation, planning, design and implementation of public services (Brandsen *et al.*, 2018).

In the operational context, Bovaird and Loeffler (2012) highlight collaboration's joint results, emphasising the use of both parties' assets for improved outcomes or efficiency. This is an interesting point of view because CBSE has potential to bring municipalities a new form of co-production that offers synergy between local assets and resources (e.g. Olmedo and O'Shaughnessy, 2022; Steiner and Teasdale, 2019). CBSE's local impact can be more than providing local services as they can work as a catalyst for vitality, prosperity and inclusion, all of which are included in the municipal responsibilities. However, successful co-production may not be easily achieved as it can profoundly change the socially accepted division of responsibilities (Rinne-Koski and Lähdesmäki, 2021). Thus, to better support new co-production models and avoid pitfalls, those for whom the CBSE activities are intended, need to construct "legitimizing accounts" (see Creed *et al.*, 2002) that bring out the appropriateness of the new practice. If this does not take place, institutional changes in the service production to include CBSEs as acceptable service providers are not likely to achieve recognition and stability (Bitektine and Haack, 2015).

We understand legitimacy as an organisational property leading and maintaining the belief of appropriateness and properness of the organisation (e.g. Suddaby *et al.*, 2017; Tyler, 2006). A well-accepted definition of legitimacy defines it as "a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995, p. 574). Legitimacy justifies the organisation's role within the social system and helps attract resources and continued support for the organisation and its activities (e.g. Ashforth and Gibbs, 1990). Legitimacy is closely related to institutionalisation – it is a precondition to specific ideas, practices or changes to become a part of prevailing institutional order but at the same time institutionalisation contributes to legitimacy as established ideas or practices are often perceived socially accepted and no longer require specific legitimation (Vaara *et al.*, 2006, p. 791).

Suchman (1995, pp. 578–583) recognises three bases for legitimacy which rest on different behavioural dynamics: pragmatic, moral and cognitive legitimacy. According to Suchman (1995), pragmatic legitimacy is based on self-interested calculations of the expected value of an organisation's behaviour to stakeholders. Pragmatic legitimacy refers to the support and acceptance that is granted to an organisation because it is considered to be helping stakeholders further their own interests; thus, pragmatic legitimacy is not necessarily dependent on whether or not the organisation achieves its goals (Díetz-Martín *et al.*, 2013). Whilst pragmatic legitimacy is based on exchange calculations, moral legitimacy reflects the

normative evaluation of an organisation and its activities. Thus, moral legitimacy reflects a prosocial logic that differs fundamentally from narrow self-interest (Suchman, 1995). Cognitive legitimacy is based on comprehensibility and taken-for-grantedness rather than interests or moral evaluations (Suchman, 1995). Cognitive legitimation represents the most subtle and powerful source of legitimation. Accordingly, “if the alternatives become unthinkable, then challenges become impossible, and the legitimated entity becomes unassailable by construction” (Suchman, 1995, p. 583).

Similar to Marschlich (2022, p. 30), we extend the bases of legitimacy with the idea of regulative legitimacy which “is associated with governmental expectations, regulations, and standards”. Marschlich (2022) further states that organisations’ social acceptability due to the regulated nature of their existence and operation enforces them to act according to certain rules, policies and laws. We suggest that whilst regulatory legitimation is one of the boundary conditions for the operation of public administration, highlighting it as a separate legitimacy basis in relation to pragmatic, moral and cognitive legitimacy is justifiable and important for our analysis.

Gaining and maintaining legitimacy can be problematic since social values and expectations are often contradictory, evolving and difficult to operationalise (Ashforth and Gibbs, 1990). In this study, our focus is on the ways municipalities and the representatives of CBSE produce (de)legitimacy for CSBEs as service providers. Since language is the most significant means of building and maintaining legitimacy (Martin-Rojo and van Dijk, 1997), we approach legitimation from the social constructionist perspective (see Berger and Luckmann, 1966) as an on-going discursive negotiation over meaning(s) associated with CBSEs as service providers. In our study legitimacy can be conceptually distinguished from legitimation, as the latter refers to the process in which individuals evaluate the extent to which CBSEs meet their demands and expectations and those of the society (see Deephouse and Suchman, 2008) and from which legitimacy emerges. Similar to van Leeuwen (2007, p. 93), discursive legitimation can be simply defined as an answer to the questions “Why should we do this?” and “Why should we do this in this way?”

In Table 1, we summarise the above-described theoretical framework. The table presents, in association with each legitimacy type, questions that guided our data analysis and the idea of discursive legitimation linked with the questions. The legitimacy types forming CBSE legitimacy can occur separately or in combination to support each other (e.g. Vaara *et al.*, 2006; Van Leeuwen, 2007).

Empirical material and data analysis

Data gathering and empirical material

The empirical data combines two sets: interviews with representatives of CBSEs and open-ended survey responses by municipality decision-makers. All the protocols for ethical

Legitimacy type	Data question	Discursive legitimation
Pragmatic legitimacy	How does CBSE contribute to the stakeholders’ interests and expectations?	Demonstrate the benefits of CBSEs for individual/group’s self-interest
Moral legitimacy	How does CBSE act in line with social expectations?	Demonstrate the social consequences as well as social norms and values
Regulative legitimacy	How does CBSE deal with governmental expectations and follow rules?	Demonstrate the administrative rules, norms and regulations
Cognitive legitimacy	Does CBSE have the right to exist?	Demonstrate the CBSE activities as taken for granted

Table 1.
Theoretical framework
of the data analysis
(following
Marschlich, 2022)

research with human subjects were followed as the data collection adhered to the ethical guidelines of The Finnish National Board on Research Integrity and European General Data Protection Regulation (GDPR).

The interview data consists of face-to-face discussions in two CBSEs. The CBSEs were chosen purposefully to ensure diverse and rich empirical material (see [Patton, 2002](#)). The empirical data is derived from two distinct CBSEs situated in rural areas. In village A, the social entrepreneurship implemented by the local community had a successful history of several years. The village with its approximately 400 inhabitants is nationally well known for its active efforts to maintain local services, including day care for young children, lunch and housekeeping services and tourism as well as housing services. The local community in village B, with approximately 300 inhabitants, was at the beginning of developing its business activities; its community-based entrepreneurship is based on renting premises, a recycling business and kiosk operations. In addition, both villages organise numerous leisure activities, like a summer theatre and different kinds of gatherings for village residents. The different stages of development produced diverse and extensive material for understanding the special features of rural community-owned social entrepreneurship.

We interviewed five CBSE representatives, two in village A (an executive director and a board member) and three in village B (an employee and two board members). The interviews were done during the spring of 2022 as thematic interviews. Although the thematic interview framework includes an outline of the discussion topics, it does not mechanically guide the conversation between the interviewee and interviewer (see [Legard et al., 2003](#)). For that reason, the interviews turned out to be unique discussion situations with certain themes in common. The interviews started with the interviewees' background information and a description of their relationship with the village community and the community-based social enterprise. After that, the following themes were discussed: *the village community's challenges, the operation of a community-based social enterprise and its stakeholder relations*. The interviews lasted about 90 min. Each interview was recorded and transcribed into text.

The open-ended survey responses by municipality representatives were gathered during the summer of 2019. As Finland is one of the most rural countries in the European Union (EU) with 95% of the nation categorised as rural areas ([Finland's CAP Strategic Plan, 2023](#)), the survey was sent to all Finnish municipality directors and chairpersons of the board (altogether 616 people), excluding the capital region. The open-ended responses, which make up the material of this study, included the following questions: *What is your view on community-based social entrepreneurship? Has your municipality drawn up a strategy to promote social entrepreneurship (why/why not)? What would encourage your municipality to promote CBSEs and why? What do you think are the services that villages can provide by themselves? Why has your municipality cooperated with villages to provide services and how important do you see the villages as a partner in the municipality's service production (and why)?* In total, 134 responses were received. The survey responses came from municipalities with different characteristics and geographical locations. The length of the open-ended responses varies from a couple of words to rather profoundly argued answers with numerous sentences. Open-ended questions transcribed as a Word document comprised altogether 32 pages of text in single-spaced Times New Roman font 12.

Data analysis

The data analysis was based on a qualitative content analysis in which the theoretically derived aspects of legitimation (see [Table 1](#)), were examined in connection with the interview data and open-ended survey responses (see [Mayring, 2000](#)). Data sets were analysed jointly by using the similar qualitative analysis methods. We started the analysis by reading transcribed interviews and survey responses several times, to pay close attention to what

kind of justifications, either for or against, the respondents provided for CBSEs. We analysed the identified justifications, the words, expressions and phrases the respondents used, to divide the material into categories of pragmatic, moral, regulative and cognitive legitimacy. We also paid attention to whether the justification was targeted at the existence or operation of CBSEs. Accordingly, the data analysis was based on an abductive approach by being an iterative process between the discursive legitimation types (Table 1) and empirical data.

To ensure the trustworthiness of the analysis, the data was analysed independently and iteratively by both authors, after which the interpretations were compared and discussed. This kind of triangulation method is considered to increase the credibility of research (Patton, 2002). In addition, to strengthen the transparency of the interpretations, quotes from the original interviews were translated into English and included in the Results section.

Results

Pragmatic legitimacy

Municipality representatives generally held positive perceptions of community-based social entrepreneurship, seeing their untapped potential for enhancing service provision in rural areas. They commonly justified CBSE legitimacy as service providers through pragmatic arguments, emphasising their supplementary role amid tightening municipal finances. Municipality representatives acknowledged that the concentration of services to municipal centres will continue, in which case the service level in remote areas will inevitably continue to deteriorate. In this situation, they considered CBSEs to have a legitimate role in taking responsibility for local service provision:

The role of municipalities in society has changed and is changing. This requires, especially in small municipalities, new ways of taking care of and promoting the well-being of the citizens and getting by in everyday activities. Municipalities alone do not have the financial means to provide these services. (Respondent 8)

Whilst the benefits to justify CBSEs as service providers were usually financial, also the community-activating and social capital-building role of CBSEs as important effects of their operation were emphasised. This argumentation may also imply economic benefits since by patching up insufficient or deteriorating municipal service provision at the village level, CBSEs were considered to strengthen the attractiveness of a village and attract new residents, which is also in the economic interest of the municipality.

Despite emphasising the economic benefits of CBSE operations, municipality respondents simultaneously questioned CBSE legitimacy by expressing doubts about their essence. Whilst welcoming the potential contributions of CBSEs, respondents remained sceptical about their economic profitability. Financial challenges were anticipated, with respondents arguing that CBSEs are often established without proper business planning or knowledge of the customer base and real market demand. This expressed concerns about rural residents' ability to establish a successful business endeavour. Furthermore, the fear of CBSEs becoming dependent on municipal financing and posing an economic burden in the long run was also raised. This type of argumentation undermines the pragmatic legitimation of municipality respondents based on the potential economic benefits of CBSEs.

CBSE respondents also used pragmatic argumentation to justify the service production provided by village residents. Still, the main difference remains – whilst the municipality respondents highlighted mainly the economic value of CBSE operations, the CBSE respondents underlined the benefits related to the quality of life at the village level and the opportunity to maintain a village's livelihood.

The pragmatic justification used by CBSE respondents was based on diverse market opportunities in a village, which paradoxically is the same argument municipalities used to

delegitimate the income opportunities of CBSEs. According to CBSE respondents, a reason for this contradiction is that municipalities are not familiar with the operational logic behind CBSEs. From an enterprise's point of view, income comes from several streams that together add up to a sufficient income, even though the size of the market is limited. This allows villages to provide services that are not profitable on their own but have an important impact on the welfare of residents. CBSE respondents further noted that local service needs, i.e. local market opportunities, are best detected locally. Municipalities might be unfamiliar with the service needs in local villages and fail to notice underlying business opportunities. Highlighting the value of local knowledge is used to strengthen the pragmatic legitimation of the CBSE as it is remarked to result in better utilisation of resources, which is compatible and intertwined with municipalities' point of view.

In addition to covering a service gap, CBSE respondents used other pragmatic, benefit-related, arguments to legitimise CBSEs. According to them, locally provided services were considered to offer employment opportunities to locals and especially to young people living in a village. Employing young people was seen as a significant way to integrate them into the community and to participate in joint activities.

Moral legitimacy

Even though pragmatic arguments prevailed in the municipality respondents' legitimation of CBSEs, they still utilised some normative discourse when deliberating CBSEs role in rural service production. The moral legitimation was usually related with the essence of CBSEs, highlighting the community members' moral responsibility to take initiative in the service provision with the help of CBSE. The municipality respondents further strengthened this by referring to the consequences of diminishing resources:

The ageing population and the dwindling resources of rural municipalities are driving development in a direction where residents (including villages) have to take greater responsibility for their own well-being than before. (Respondent 44)

However, moral demand for community members' increased responsibility was not categorically produced by the municipality respondents. Accordingly, they pointed out that rural villages are not a homogenous group with equal resources and therefore, the strengthening role of rural CBSEs in service production should be understood as an ideal goal, not an obligatory requirement but something that is based on voluntariness.

Furthermore, some municipal respondents stated that the best way to ensure the vitality of rural villages is to increase collaboration between villages and municipalities in service provision: "*When developing local services . . . From the point of view of a small municipality, it should be the municipality and the residents working together.*" (Respondent 62.)

Compared to the municipality respondents, CBSE respondents used moral arguments more diversely in their legitimacy building. They highlighted the moral mission of CBSEs by stating that whilst the contemporary markets and the welfare state are struggling to produce and maintain the service level in rural areas, CBSEs have taken the role of producing services which are not profitable enough on their own but still have an important impact on the welfare of residents:

There is also the fact that sometimes you can do something, produce some services, in order to get the money in general, so that we can produce those other services. Not every department is very profitable. For example, home services don't bring us much income; it is still really important because it is what makes the elderly live at home longer. It is, in a way, the social purpose that the company has. (Village A)

In their moral legitimation, CBSE respondents emphasised that they aspire to foster feelings of spatial justice for rural community members. The decline in service provision was seen as

placing rural residents in an unequal position compared to those living in municipal centres or cities. CBSEs were justified as a morally commendable effort to address spatial disparities.

CBSE respondents strengthened their moral justification by extending the mission of CBSEs to providing bonds between different local actors. As an example, they highlighted the CBSEs' role in supporting and offering business opportunities to other entrepreneurs. This local bond was based on reciprocity: CBSEs offer local businesses services or opportunities for extra income and local businesses are in turn helping CBSEs, for example in maintaining village communal houses. This interaction was also seen to strengthen the vitality of a village and hence is linked to the pragmatic legitimacy. CBSE respondents deepened this role as the enabler of local connections by describing how CBSEs look for public good over its own benefit: "*It's not worth setting up a social enterprise if you want to compete with other local enterprises.*" (Village A).

Regulative legitimacy

In Finland, local welfare service provision is governed by municipalities, which are responsible for organising statutory services, including education, social and health care, as well as technical and infrastructure services. Municipalities can either organise these regulated services themselves or procure them from service providers that meet legal requirements. Despite acknowledging the potential of CBSEs in service production, municipality respondents rarely employed regulatory arguments to justify their role in municipal service provision. On the contrary, regulatory arguments were used to delegitimise CBSE operations. Municipality respondents appealed to their legal and regulatory responsibilities, along with dwindling economic resources, to justify their reluctance to view CBSEs as legitimate co-producers of local services:

Managing the municipality's basic statutory tasks requires allocating existing resources for them. The municipality's resources are not adequate for keeping up with other operators. (Respondent 34.)

When municipality respondents were asked what kind of services they would see as the responsibility of rural communities, they often referred to services that are not legally regulated, such as events or leisure activities. This further delegitimises the role of CBSEs as producers of certain services and produces a clear separation between the services that a village is justified (or even expected) to organise and the services that should be left to the other (maybe more professional) actors. Whilst referring to regulative boundaries, it also reproduces the traditional roles of villages and municipalities in service provision as taken-for-granted, thus mixing regulative and cognitive legitimation.

According to CBSE respondents, those engaged in service provision are aware of the regulative requirements and carefully adhere to them. This statement was used to provide a justification for CBSEs by endorsing the role of regulations in service provision as a guarantee of quality and safety. However, they acknowledged that even though CBSEs follow the regulations in their service provision, they are often considered troublemakers, as they are perceived to disrupt the service provision or question its models. From this perspective, municipalities can be seen guarding their position as the primary service provider and hindering the development and renewal of services. This is also the point where CBSE respondents criticise the regulatory justification: if the service or the model of service provision is not functional, what is the point of doing that?

Regulative legitimation reveals that CBSEs role as a service provider is vague: CBSEs do have a position as a third sector service provider but not as an enterprise. This vagueness is also affecting the interaction between a municipality and CBSE. According to the representatives of CBSE, the cooperation is currently based on individual relationships that are susceptible and exposed to situation-based variation. If there is compatible chemistry

between CBSE and municipal representatives, cooperation is easy: *“But with [name of the municipal representative], we got it started. And then [he] was transferred on to other tasks; after that, things have not really worked anymore.”* (Village B.) This lack of established cooperation in the municipality structure builds mistrust between CBSEs and municipalities, due to which building trust and working together is difficult.

Cognitive legitimacy

The municipality respondents did not use any explicit cognitive arguments to justify the operation or essence of CBSEs as service providers. On the contrary, cognitive arguments were related to the efforts of delegitimation. Even though CBSE respondents' perceived CBSEs as professional businesses linked in different ways to the local economy and capable of producing a variety of benefits, some municipality respondents stated that the operation of CBSEs should not be understood as “proper” business. CBSEs were stigmatised as tinkering, and their economic significance was considered marginal. One respondent summarised this by stating: *“I think it's more charity work than entrepreneurship.”* (Respondent 74.) The argument delegitimises CBSEs by perceiving them as something incomprehensible in the business context, thus producing the for-profit role of businesses as taken-for-granted.

It seems that the vague status of CBSEs in public service provision is shadowed by the traditional role of village action and therefore, there is a need for building legitimacy upon the essence of CBSEs. The lack of legitimacy of CBSE as a proper enterprise is reflected by presenting the taken-for-granted assumptions about the traditional role of municipalities as service providers. One of the respondents summarised this saying *“Initiative and self-reliance are appreciated, however, so that the big picture is always with the municipality or a similar body.”* (Respondent 115.)

According to CBSE respondents, combining traditional village activity with business activities to reach out for a wider market and higher income might seem confusing to stakeholders. This is partly because a rural community trading for market profit is a new player in the field. CBSE respondents were familiar with the above-described way of delegitimation: it is reflected in differentiation village association work from village enterprise by underlining the professionalism in CBSE operations.

It is largely the fact that the trust that a group of people in the village can organise those services [...] it's really hard to justify or prove that yes, this is a real company and yes, this is on a sustainable basis. (Village A)

This distinction was furthered by two arguments. Firstly, the people involved in CBSE service provision are paid a salary, whereas in the village action context, people are working voluntarily. Secondly, as there is no legal status or benefits for social enterprises in Finland, CBSEs seek legitimacy of a proper business by pointing out that a community-based enterprise must fulfil all the same legal requirements as a regular enterprise.

Furthermore, municipality respondents reproduced the sceptical view – often rather taken-for-granted - whether rural villages have enough human resources to realise the potential economic benefits of CBSEs. Accordingly, the limited number of community members and difficulties in attracting new members to CBSEs, particularly in small rural villages, were concerns highlighted in many responses. Thus, municipality respondents considered CBSEs potential mainly for communities with sufficiently large residential bases to guarantee a sustainable amount of active village developers and customers.

Discussion

The aim of this paper was to examine the legitimation arguments that CBSEs and municipalities use to justify CBSEs as service providers. This two-way approach to

legitimation reveals differences in the ways parties' position CBSEs as service providers, potentially influencing the development of future cooperation. The ways CBSEs are positioned as service providers can also anticipate the fluency of cooperation in service provision between the municipality and CBSE.

Municipal respondents based their legitimation mainly on pragmatic arguments pinpointing the (economic) benefits of CBSEs and, to some extent, moral arguments by highlighting the responsibility of local inhabitants to take more responsibility for their own well-being. These findings are in line with [Huybrechts and Nicholls \(2013\)](#) who noticed that new collaborative relationships between social enterprises and other businesses require both pragmatic and moral legitimacy. The results of the study further confirm the idea of the development of legitimacy in hybrid organisations, like CBSEs, as a temporal process in which "pragmatic legitimacy has to be secured before moral and cognitive legitimacy can be achieved" ([Rosser et al., 2022](#), p. 1136). Thus, considering CBSEs' novelty in the field of service production and their aim of challenging the state of "how things are" in local service production, it is not surprising that cognitive arguments were not yet used to legitimise the operation.

In contrast, CBSE representatives employed a diverse range of legitimation arguments to justify CBSEs as suitable service providers. Their legitimation was not based on the economic benefits, a focus often seen with municipalities; instead, CBSEs emphasised normative arguments such as promoting welfare, constructing and maintaining village structures and seeking overall community benefits. The versatile legitimation from CBSE representatives aims to discursively indicate their community accountability as being enterprises borne of and operating for genuine community needs (see [Buckley et al., 2017](#)). Additionally, CBSEs act as pioneers in creating new service delivery methods and challenging existing models if they perceive any shortcomings (see [Bailey, 2012](#); [Vestrum et al., 2017](#)). These divergent legitimation approaches between municipalities and CBSEs may lead to misunderstandings. Aligning with [Vestrum et al. \(2017\)](#), our study highlights the importance for CBSEs to tailor their legitimation based on stakeholders (e.g. community members or municipalities) who respond to different arguments. Moreover, we suggest that CBSEs should strategically elaborate on pragmatic legitimation arguments to convey their message more effectively in the municipal arena.

The results indicate that traditional roles of rural villages and municipalities are based on taken-for-granted assumptions, sustaining normative and cultural-cognitive institutional perceptions regarding the division of responsibilities in local service provision. In other words, similar to [Pestoff \(2012\)](#), rural villages are allowed to enhance local living conditions through leisure activities organised by voluntary efforts, but they lack strong legitimation for broader market-oriented and strategically produced services in collaboration with municipalities. This taken-for-granted assumption is reflected in the contradictory legitimacy arguments presented by municipality representatives. This contradiction reveals that municipal representatives granted legitimacy to CBSE activities, yet questioned their essence with delegitimizing arguments. Whilst municipal representatives welcomed the potential outcomes of CBSEs, the organisational and administrative aspects of CBSEs raised questions and even scepticism, potentially undermining the legitimacy of collaboration.

The limited legitimation suggests that representatives of CBSEs are often engaging in institutional entrepreneurship to reshape institutional order in municipal-level service provision (e.g. [Bailey et al., 2018](#)). The nature of institutional entrepreneurship in CBSEs may depend on their motives for operational objectives: if the main objective of a CBSE is to provide complementary services that are traditionally in the purview of municipalities, legitimation often necessitates attitudinal change amongst municipal actors and can thus be a long process (see [Kleinhans, 2017](#)). Again, some CBSEs plan to provide supplementary

services in line with public policy without challenging political and locally agreed-upon operating procedures. Their position in relation to local administration requires less legitimisation work in establishing service co-production. However, it is crucial to note that CBSEs with varying objectives and business models exhibit varying needs and intensities for legitimacy work concerning key stakeholders, including municipalities.

According to the results, it seems that the legitimisation given by municipalities increases gradually, in which case legitimisation must be renegotiated in each stage (see Kleinhans *et al.*, 2020). The first stage is acknowledging the lack of services and identifying the local actors (in this case rural CBSEs) who can fill the service void in local communities. If the service provider (CBSE) is seen as reliable, it is allowed to develop its service production from supplementary services (e.g. leisure services) to complementary services (e.g. care services) to further support the municipal service provision. At the end of the legitimisation process the local actor is seen as any other service provider in the municipality and it becomes taken for granted. The following Figure 1 sums up the steps of legitimisation in relation to the service co-production.

When the mode of co-production is changing from supplementary level to complementary for-profit co-production, there is a lack of institutionalised support structures to enhance concrete co-production models. To avoid vagueness and the dependence on a person, division of responsibilities and co-production relationships needs to be permanently organised.

Conclusions

Using the framework of legitimisation, this paper contributes to the literature by revealing the different ways parties use legitimisation arguments to justify their role as service providers. Through the (de)legitimising arguments, we are able to demonstrate the prevailing paradox in the current state of service co-production: rural villages have an advantage in knowing the local needs and circumstances in a manner that would benefit also municipalities by enabling a better response to local welfare needs, but weak legitimacy is hindering both participants from reaching full potential in rural service production.

Municipalities often legitimised CBSEs based on economic efficiency, thus neglecting social aspects in service co-production. To address this, we recommend establishing official forums for co-production partners to share perspectives on service needs, foster discussions on values and serve as a platform for market dialogue. This might encourage municipalities to adopt a strategic approach fostering innovative understandings of service structures. Creating a collaborative rural service policy forum could institutionalise new co-production models, improve service provision design and foster governance. Forum would facilitate the sharing of local knowledge, promote social proximity, reduce variation and dependence,

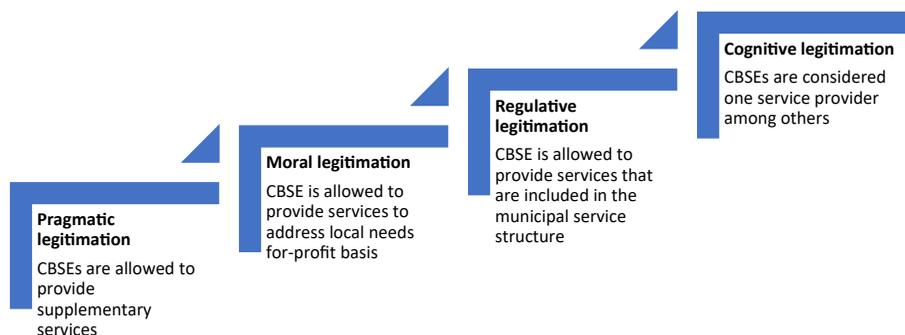


Figure 1.
Steps of legitimisation towards service co-production between CBSE and the municipality

Source(s): Author's own work

alleviate suspicions and enhance the legitimacy of CBSEs. Gaining acceptance in service provision could boost village business growth, leading to increased local services and employment opportunities.

Still, some limitations indicate the need for further research. Our research is based on a context in which the role of social enterprises is still evolving. For further research, it would be interesting to compare the ways of gaining legitimacy for social entrepreneurship in societies with longer experience. We also note that there is a further need for future research in CBSE legitimation by including the urban approach into examination.

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Corresponding author

Katja Rinne-Koski can be contacted at: katja.rinne-koski@helsinki.fi

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